

## Message Text

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ACTION STR-02

INFO OCT-01 ISO-00 STRE-00 NSC-06 AGRE-00 EUR-08 EB-04  
ONY-00 /021 W

-----124091 151955Z /47

P 151936Z MAR 78  
FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC PRIORITY 6668  
INFO USMISSION GENEVA

C O N F I D E N T I A L OTTAWA 01307

LIMDIS

FOR STR AMBASSADOR STRAUSS FROM ENDERS. PLEASE LIMIT OTHER  
DISTRIBUTION TO VICE PRESIDENT, SECRETARY BERGLAND, EUR,  
AND EB.

EO 11652: GDS  
TAGS: ETRD, ENRG, CA  
SUBJECT: MTN AND ADDITIONAL GAS EXPORTS FROM CANADA

1. COULD YOU HAVE A PERSONAL LOOK AT A SMALL-SCALE AGRI-  
CULTURAL  
TARIFF ISSUE WHICH IS ONE OF THE KEYS TO THE NEW  
LARGE-SCALE GAS TRANSACTION WITH CANADA THE VICE PRESIDENT  
DISCUSSED WHEN HE WAS HERE IN JANUARY?

2. AT THEIR MARCH 14 MEETING, CANADIAN AGRICULTURAL  
MINISTER WHELAN AND SECRETARY BERGLAND WENT OVER THE FULL  
RANGE OF ALBERTA PREMIER LOUGHEED'S REQUESTS FOR AGRICUL-  
TURAL CONCESSIONS, ON WHICH HE HAS MADE THE ADDITIONAL GAS  
EXPORTS CONTINGENT. IN MOST TARIFF AREAS THE OFFER ON THE  
TABLE IN GENEVA IS RESPONSIVE TO LOUGHEED'S INTERESTS.  
BERGLAND AND WHELAN AGREED THAT CANADA WOULD INITIATE  
ACTION IN A SECOND AREA (FDA CERTIFICATION OF RAPESEED OIL  
IN VARIOUS FORMS FOR HUMAN CONSUMPTION). AND A THIRD  
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(LOUGHEED'S REQUEST FOR A MAJOR INCREASE IN CANADA'S SHARE  
OF VOLUNTARY RESTRAINT ALLOTMENTS UNDER THE MEAT IMPORT  
ACT) WILL PROBABLY BE OVERTAKEN BY FIRING BEEF PRICES AND  
IMPORT DEMAND THIS WINTER AND NEXT YEAR.

3. IN ONE AREA (THE TARIFF ON "BOXED BEEF"; TSUS 107.6020)  
WE HAVE NOT BEEN ABLE TO RESPOND AT ALL TO LOUGHEED'S

REQUEST FOR A 60 PERCENT CUT. USDA RIGHTLY POINTS OUT THAT THE CANADIAN TRADE INTEREST IS MINISCULE (DOLLARS 100,000 OUT OF DOLLARS 8.2 MILLION IN 1976), THAT THE PRINCIPAL SUPPLIER (AUSTRALIA) HAS NOT ASKED FOR A TARIFF CONCESSION, THAT THIS CATEGORY HAS BEEN USED IN THE PAST IN EFFORTS TO CIRCUMVENT OUR BEEF IMPORT ACT, AND THAT WITH THE AMERICAN FARM MOVEMENT TENSION STILL VERY STRONG IT DOESN'T MAKE POLITICAL SENSE TO TALK ABOUT ADDITIONAL BEEF CONCESSIONS. I GATHER USDA OFFICIALS TOLD WHELAN THEY DIDN'T SEE HOW THERE COULD BE ANY MOVEMENT ON THIS ITEM.

4. BOXED BEEF HAS, HOWEVER, ACQUIRED SYMBOLIC STATUS IN ALBERTA. LOUGHEED HAS REFERRED TO IT REPEATEDLY IN PUBLIC AS AN AREA IN WHICH ALBERTA WILL INSIST ON U.S. CONCESSIONS. REASON IS PARTLY ALBERTA IDEOLOGY OF FURTHER PROCESSING ITS RAW MATERIALS (BOXED BEEF IS FANCY GRADE MEAT FOR THE HOTEL TRADE). I AM TOLD ALSO THAT ALBERTA MANUFACTURERS OF BOXED BEEF HAVE BEEN OUTSTANDING IN THEIR SUPPORT OF LOUGHEED'S ADMINISTRATION.

5. I AM CONCERNED THAT OUTRIGHT REFUSAL TO PUT A BOXED BEEF TARIFF CUT ON THE TABLE AT THIS POINT MIGHT ABORT THE WHOLE GAS OPERATION WITH LOUGHEED. HE HAS HAD UNREALISTIC IDEAS OF WHAT HE CAN GET FROM THE STATES (SUCH AS SPECIAL FREIGHT RATES AND ZERO IMPORT DUTIES ON PETRO CHEMICALS) AND HE HAS A BIG EGO AND AN INFLATED VIEW OF ALBERTA'S LEVERAGE.

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6. THAT DOESN'T MEAN THAT WE SHOULD SIMPLY PUT THE REQUESTED 60 PERCENT CUT IN THE BOXED BEEF ON THE TABLE. THAT WOULD MAKE NO SENSE EITHER IN TERMS OF MTN BARGAINING OR OUR RELATIONS WITH THE FARM COMMUNITY.

7. HOWEVER, IT SHOULD BE POSSIBLE TO REDEFINE THE TARIFF CATEGORY IN SUCH A WAY AS TO ISOLATE THOSE CUTS AND QUALITIES THAT ALBERTA CAN SUPPLY FROM THE CATEGORY AS A WHOLE. BY DOING THIS WE COULD LIMIT OUR EXPOSURE BOTH TO THE AAM AND IN THE NEGOTIATIONS.

8. RECOMMENDATION: THAT YOU PASS WORD TO THE CANADIAN MTN COORDINATOR WARREN THAT THE U.S. WILL BE PREPARED TO CONSIDER ISOLATING ALBERTA-STYLE BOXED BEEF AND IF THAT SUCCEEDS MAKING A SUBSTANTIAL OFFER ON IT AT A FUTURE POINT IN THE NEGOTIATIONS. ENDERS

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## Message Attributes

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**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** EXPORTS, PETROLEUM  
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**Copy:** SINGLE  
**Draft Date:** 15 mar 1978  
**Decaption Date:** 20 Mar 2014  
**Decaption Note:** 25 YEAR REVIEW  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** GS  
**Errors:** N/A  
**Expiration:**  
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**Review Release Event:** n/a  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014